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**CITY OF WESTLAKE, LOUISIANA
ANNUAL FINANCIAL REPORT
JUNE 30, 2006**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2/14/07

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CITY OF WESTLAKE, LOUISIANA

ANNUAL FINANCIAL REPORT
Year Ended June 30, 2006

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CITY OF WESTLAKE, LOUISIANA

June 30, 2006

MAYOR

The Honorable Dudley R. Dixon
Mr. Gerald "Wash" Washington, Mayor Pro-Tempore

CITY COUNCIL

Mr. Wally Anderson
Mr. Daniel Cupit
Mr. Robert Hardy

Mr. Daniel Racca
Mr. Gerald "Wash" Washington

LEGAL COUNSEL

Mr. John Van Norman - City Attorney

CITY CLERK

Mrs. Andrea Mahfouz

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McELROY, QUIRK & BURCH

A Professional Corporation • Certified Public Accountants • Since 1925
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Carl W. Comeaux, CPA
Gus W. Schram, III, CPA, CVA
Martin L. Chehotsky, CPA, CFE
Robert M. Gani, CPA, MT
Mollie C. Broussard, CPA
Jason L. Guillory, CPA
Greg P. Naquin, CPA, CFPTM
Billy D. Fisher, CPA
Joe G. Peshoff, II, CPA, CVA



Charles P. Quirk, CPA, Inactive
Orray J. Woods, Jr., CPA, Inactive
Robert F. Cargile, CPA, Inactive
William A. Mancuso, CPA, Retired
Barbara Hutson Gonzales, CPA, Retired
Judson J. McCann, Jr., CPA, Retired

CFE - Certified Fraud Examiner
MT - Masters of Taxation
CVA - Certified Valuation Analyst
CFP - Certified Financial Planner

REPORT OF INDEPENDENT AUDITORS

Honorable Dudley R. Dixon, Mayor
and City Council Members
City of Westlake, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Westlake, Louisiana, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Westlake, Louisiana at June 30, 2006 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis and budgetary comparison information on pages 9 through 16 and 56 through 57, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 18, 2006, on our consideration of the City of Westlake's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of our audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the City of Westlake, Louisiana, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Ms Elroy Quirk & Burch

Lake Charles, Louisiana
December 18, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

This analysis provides a summarized overview of the financial activities of the City of Westlake for the year ended June 30, 2006. Please read this in conjunction with the financial statements beginning on page 19 to get a better understanding of the City's financial position.

Using the Annual Report

The annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 19-21) provide information about the City as a whole and present a longer-term view of the City's financial position. Fund financial statements start on page 22. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund Financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

The Statement of Net Assets and the Statement of Activities

These two statements beginning on page 19 help explain if the City's financial position has improved as a whole as a result of the current year's activities. They show all of the City's assets and liabilities using the accrual basis of accounting that reflect a true account of the revenues and expenditures for the year regardless of when the actual cash was received or disbursed.

By examining the City's net assets (difference between assets and liabilities) and changes in them, one can measure the City's financial health, or financial position. Increases or decreases in the net assets are one indicator of whether the financial health is improving or deteriorating. Other factors to consider in determining financial health include but are not limited to the property tax base and the condition of infrastructure (i.e.: condition of roads, water supplies, etc.).

The Statement of Net Assets and the Statement of Activities account for the financial position of the City as a whole in two categories:

- ♦ Governmental Activities - The basic activities of a government. These include general administration, street, police, and fire. Sales taxes, property taxes, franchise fees, fines, and state and federal grants generally fund these types of activities.
- ♦ Business-type activities - Activities that are financed and operated in a manner similar to private business enterprises. The costs of providing such services to the general public are funded primarily through user charges. The water, sewer and gas systems are reported here.

Fund Financial Statements

These statements begin on page 22 and provide detailed information about the City's most significant funds-not the City as a whole. A fund is defined as a fiscal and accounting entity with its own set of self-balancing accounts that report the financial behaviors of a specific activity. Some funds are required to be established by State Law and by bond covenants while others are created by the City Council to help control and manage the City's money for particular purposes and show that it is meeting its legal responsibilities for using certain taxes, grants and other monies. The City's two kinds of funds-governmental and proprietary-use different accounting approaches.

- ♦ Governmental funds - Focus on how money flows into and out of the City's basic services and the balances left at year-end that are available for future spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. This information helps one determine whether there are more or fewer financial resources that can be spent in the near future to fund the City's programs. The differences between governmental activities and governmental funds are reconciled at the bottom of the fund financial statements.
- ♦ Proprietary funds - The services for which the City charges its customers are reported here. Proprietary funds are reported in the same manner as the activities are reported in the Statement of Net Assets and the Statement of Activities, using the full accrual basis of accounting. The City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information.

The City as a Whole

As noted earlier, the City's net assets and changes in them depict its financial health. For the fiscal year ended June 30, 2006, the City of Westlake's assets exceeded its liabilities by \$31,944,506. A breakdown of the City's assets and comparison to the prior fiscal year is as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Assets						
Current and other						
Assets	\$ 16,928,930	\$ 11,088,868	\$ 2,661,440	\$ 2,922,809	\$ 19,590,370	\$ 14,011,677
Capital assets	<u>15,520,422</u>	<u>14,151,663</u>	<u>13,199,951</u>	<u>12,206,088</u>	<u>28,720,373</u>	<u>26,357,751</u>
Total assets	<u>32,449,352</u>	<u>25,240,531</u>	<u>15,861,391</u>	<u>15,128,897</u>	<u>48,310,743</u>	<u>40,369,428</u>
Liabilities						
Current	9,667,680	266,626	721,651	184,262	10,389,331	450,888
Long-term	<u>2,477,000</u>	<u>2,575,000</u>	<u>3,499,906</u>	<u>3,621,906</u>	<u>5,976,906</u>	<u>6,196,906</u>
Total liabilities	<u>12,144,680</u>	<u>2,841,626</u>	<u>4,221,557</u>	<u>3,806,168</u>	<u>16,366,237</u>	<u>6,647,794</u>
Net assets						
Investment in net						
capital assets	15,520,422	14,151,663	8,534,962	8,584,182	24,055,384	22,735,845
Restricted	10,142,244	9,804,464	-	-	10,142,244	9,804,464
Unrestricted	<u>(5,357,994)</u>	<u>(1,557,222)</u>	<u>3,104,872</u>	<u>2,738,547</u>	<u>(2,253,122)</u>	<u>1,181,325</u>
Total net assets	<u>\$ 20,304,672</u>	<u>\$ 22,398,905</u>	<u>\$ 11,639,834</u>	<u>\$ 11,322,729</u>	<u>\$ 31,944,506</u>	<u>\$ 33,721,634</u>

The largest portion of the City's net assets (75%) are held in capital investments (i.e.: land, buildings, equipment, infrastructure), less any outstanding debt that was used to acquire these assets. The resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to retire the liabilities. The City uses capital assets to provide services to its citizens; therefore, these assets are not available for future spending.

Approximately 32% of the City's assets are subject to external restrictions on how they may be used. The remaining net assets are unrestricted. They may be used to meet the City's ongoing obligations to its citizens and creditors.

The City's net assets have decreased by \$1,777,128 or 5%. This is due in large part to liabilities created from natural disaster. On September 24, 2005, Hurricane Rita struck the City with a vengeance and caused over \$9 million in damage. At the close of the fiscal year, the City still owed \$7,005,778 to contractors for debris removal, the majority of which was paid in the first two months of 2007. FEMA has denied the repayment of \$3.2 million of this debt and the City has filed an appeal. The debt will remain outstanding until all appeal processes with FEMA have been exhausted.

Governmental Activities

The City's governmental activities decreased its net assets by \$3,747,004 for 2006. The major sources of revenue for governmental activities are: sales and property taxes (55%), gaming distributions from local casino (43%), and program revenues (2%). The remaining revenues are derived from operating and capital improvements grants.

Governmental activity revenue increased by \$6,031,809 due in large part to reimbursements from the Federal Emergency Management Agency (FEMA). These reimbursements, which amounted to \$5,912,239, were used to fund debris removal and structural damage repairs caused by Hurricane Rita in late September, 2005.

Business-type Activities

The City's business type-activities brought about an increase in net assets of \$317,105. Capital assets net of depreciation increased by \$732,494 in 2006 with the addition of \$983,746 in new infrastructure, \$372,409 in machinery and equipment, and \$123,782 in building upgrades and vehicles. Depreciation expense increased by \$49,219 or 11.26% over last year.

The proprietary funds showed an increase in liabilities of \$415,389 due in large part to the Gas Fund owing \$325,000 to the Capital Projects Fund for borrowed operating capital needed to cover the additional expenditures incurred because of Hurricane Rita.

THE CITY'S FUNDS

The following schedules present a summary of general, special revenue, debt service, and capital project fund revenues and expenditures for the fiscal year ended June 30, 2006, and the amount and percentage of increases and decreases in relation to the prior year.

Revenues	FYE 06 Amount	FYE 05 Amount	Incr./ (Decr.) From FYE 05	Percent Incr./ (Decr.)
Taxes & special assessments	\$ 2,861,870	\$ 2,612,765	\$ 249,105	9.53%
Licenses & permits	209,503	194,564	14,939	7.68%
Intergovernmental	402,697	333,093	69,604	20.89%
Charges for services	321,591	308,421	13,170	4.27%
Fines & forfeitures	242,740	320,874	(78,134)	(24.35%)
Investment income	293,278	219,551	73,727	33.58%
Miscellaneous	227,293	367,063	(139,770)	(38.08%)
Bingo revenues	8,928	10,378	(1,450)	(13.97%)
Grant Proceeds	6,016,848	103,221	5,913,627	5706.65%
Donations	14,524	14,736	(212)	(1.44%)
Post office rent income	75,708	75,708	-	0.00%
Gaming industry distribution	1,776,506	1,859,303	(82,797)	4.45%
Total revenues	<u>\$12,451,486</u>	<u>\$ 6,419,677</u>	<u>\$ 6,031,809</u>	93.96%

Sales taxes increased this year due increased spending to repair homes from Hurricane Rita. This brought in an additional \$214,236 for the City of Westlake in 2006. Building permits also increased by \$16,229 because of these same repairs.

Fines collected by the police department decreased by \$66,443 for 2006. These fines are dependant on the wrong-doing of the general public and will vary from year to year. In 2005, the police department captured \$21,628 in drug forfeitures. They only captured \$1,114 this year.

Investment income was greatly increased significantly again this year due to rising interest rates.

Miscellaneous income decreased because of a \$250,000 settlement being awarded in 2005 from a local plant accident. This money is restricted to the use of a community development project and will be used for building a museum.

The FEMA reimbursements discussed in the previous section are classified as grant revenues. This explains the large increase over last year's grant revenues.

Expenditures	FYE 06 Amount	FYE 05 Amount	Incr./ (Decr.) From FYE 05	Percent Incr./ (Decr.)
Current:				
General government	\$ 9,858,736	\$ 621,723	\$ 9,237,013	1485.71%
Police	1,371,994	1,135,115	236,879	20.87%
Fire	992,906	683,725	309,181	45.22%
Streets	449,188	319,226	129,962	40.71%
Sanitation	246,348	234,512	11,836	5.05%
Cemeteries	10,496	10,539	(43)	(0.41%)
Civil defense	7,855	5,897	1,958	33.20%
Releaf	83	2,724	(2,641)	(96.95%)
Post office	96,431	19	96,412	507431.58%
Bad debt expense	7,001	5,426	1,575	29.03%
Capital outlay	1,737,360	945,683	791,677	83.71%
Debt service:				
Principle retirement	220,000	2,705,000	(2,485,000)	(91.87%)
Administration costs	81,249	151,121	(69,872)	(45.57%)
Grant expenditures	-	89,165	(89,165)	(100.00%)
Total expenditures	<u>\$15,079,647</u>	<u>\$ 6,909,875</u>	<u>\$ 8,169,772</u>	118.23%

The main focus of 2006 was recovery from Hurricane Rita. The disastrous event added over \$9.3 million in unforeseen expenditures for the General Government, Fire and Police Departments, Street Department, and the Post Office. These expenditures included city-wide debris removal, repairs to buildings and infrastructure, and overtime payroll. All departments reserved spending in other areas to make up for these added expenditures.

The majority of the hurricane recovery expenditures were offset by the above mentioned FEMA reimbursements. However, the City has approximately \$3.2 million of expenditures not covered by FEMA reimbursements to date. The City has filed an appeal with FEMA to seek the reimbursement.

The City refinanced \$2,608,793 of general obligation bond debt in the 2004 and 2005 fiscal years. The decrease of \$2,554,872 in debt service expenditures is because of lower interest rate bonds issued in May, 2004 being used to retire the higher interest rate debt in November, 2004. Since these two events took place in different fiscal years, the amount of debt for the closing of 2004 and the amount of debt retired in 2005 was inflated.

Bad debt expense is a recording of uncollectible user fees for garbage collection service provided by the City. We are working more diligently and becoming more successful at collecting these fees.

The City's releaf fund was originally established to plant trees and to maintain a garden on city property. This garden has since been demolished and the only activity being accounted for in this fund today is a donation by local refinery to send area students to NASA's Space Camp. There was no participation for this activity in the 2006 fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City Council adopted the General Fund budget for the fiscal year ended June 30, 2006 on June 28, 2005 and amended it on January 30, 2007. The amendment resulted in an increase of \$6,151,968 in revenues and an increase of \$9,375,481 in expenditures.

The revenue increases were due to the \$5,912,239 in FEMA reimbursements, \$226,180 in sales taxes collected above what was originally budgeted, \$30,868 in additional reimbursements from the local Fire District to cover the extra payroll spent during hurricane recovery, and \$9,000 in new fines collected by the Fire Department for nuisance alarms. The additional expenditures were needed for hurricane recovery as mentioned in the previous section. Also, additional funds were needed for bond debt payments that were not originally budgeted.

The amended 2006 budget resulted in a deficit of \$2,972,306 that is due to the \$3.2 million dollars under appeal with FEMA.

CAPITAL ASSET AND DEBT ADMINISTRATION

At the end of June 30, 2006, the City had \$42 million invested in a broad range of capital assets, including police and fire equipment, buildings, roads and gas, water and sewer lines. This amount represents a net increase (including additions and deletions) of just over \$3.2 million, or 8.30% over last year. The following schedule displays the City's holdings in capital assets as indicated by notes 6 and 7 of the financial statements.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Land	\$ 4,698,333	\$ 4,698,333	\$ 213,998	\$ 213,998	\$ 4,912,331	\$ 4,912,331
Buildings	3,465,171	3,457,974	237,016	126,980	3,702,187	3,584,954
Equipment & vehicles	3,001,246	2,060,726	1,469,791	1,083,636	4,471,037	3,144,362
Infrastructure	5,433,652	5,422,942	-	-	5,433,652	5,422,942
Utility property	-	-	15,818,034	15,723,269	15,818,034	15,723,269
Construction in Progress	2,575,606	1,798,069	5,069,553	4,180,572	7,645,159	5,978,641
Totals	<u>\$ 19,174,008</u>	<u>\$ 17,438,044</u>	<u>\$ 22,808,392</u>	<u>\$ 21,328,455</u>	<u>\$ 41,982,400</u>	<u>\$ 38,766,499</u>

DEBT

At year-end, the City had \$5,854,906 in outstanding loans and bonds compared to \$6,196,906 for the previous year. This is a decrease of \$342,000 or 5.52% as shown in the following table.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
D.E.Q. loan	\$ -	\$ -	\$ 3,499,906	\$ 3,621,906	\$ 3,499,906	\$ 3,621,906
General obligation bonds	2,355,000	2,575,000	-	-	2,355,000	2,575,000
Total liabilities	<u>\$ 2,355,000</u>	<u>\$ 2,575,000</u>	<u>\$ 3,499,906</u>	<u>\$ 3,621,906</u>	<u>\$ 5,854,906</u>	<u>\$ 6,196,906</u>

The D.E.Q. loan is being used to finance the construction of our new Water Plant and to install the new water meters. Construction will be completed in late 2005 and all draws have been taken against the loan. Repayment of the principal on the loan began in November, 2004. The 2004 General Obligation bonds were used to finance construction of the City Hall and other various projects.

Additional information on the City of Westlake's long-term debt can be found in Note 7 on pages 47-48 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the budget for the fiscal year ending June 30, 2007. One of those factors is the economy. The local economy is fairly stable at present, therefore there should be little change in the Sales and Property Tax revenues.

Garbage rates were raised 5% to accommodate for the Consumer Price Index increase imposed on us by Waste Management. An increase in the employer's retirement contribution rates and employee health insurance rates will increase the City's personnel expenditures for every department. A 3% Cost of Living Adjustment was also included for all employees.

Natural gas prices continue to rise and are expected to again increase both sales and purchases. In addition, the cost of fuel is also expected to rise causing higher expenditures to operate the City's vehicles and equipment.

Some of the significant capital outlay expenditures planned for 2007 are Golf Course Development \$6.2 million, repairs and upgrades to existing utility facilities \$2.6 million, new police station \$550 thousand, and a museum \$250 thousand.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Comptroller's Office at 1001 Mulberry Street, Westlake, Louisiana.

Marcy L. Wade
City Comptroller

BASIC FINANCIAL STATEMENTS

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CITY OF WESTLAKE, LOUISIANA

STATEMENT OF NET ASSETS

June 30, 2006

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ 2,772,647	\$ 1,095,474	\$ 3,868,121
Investments	4,865,712	815,360	5,681,072
Receivables (net, where applicable, of allowance for uncollectibles):			
Accounts	53,504	245,056	298,560
Taxes	137,712	-	137,712
Grants and contributions	5,659,032	65,424	5,724,456
Special assessments	33,870	-	33,870
Inventories	-	25,172	25,172
Due from other funds	2,930,512	6,353	2,936,865
Prepaid insurance	148,636	102,715	251,351
Prepaid contract	2,705	-	2,705
Restricted assets:			
Cash and cash equivalents	-	129,536	129,536
Investments	324,600	176,350	500,950
Capital assets:			
Land, improvements and construction in progress	7,273,939	5,289,010	12,562,949
Other capital assets, net of depreciation	8,246,483	7,910,941	16,157,424
Total assets	<u>32,449,352</u>	<u>15,861,391</u>	<u>48,310,743</u>
<u>LIABILITIES</u>			
Accounts payable	7,181,033	36,667	7,217,700
Interest payable	13,149	20,183	33,332
Due to other funds	2,445,798	491,067	2,936,865
Payable from restricted assets:			
Customer deposits	-	173,734	173,734
Deferred income	27,700	-	27,700
Noncurrent liabilities:			
Due within one year	225,000	127,000	352,000
Due in more than one year	2,252,000	3,372,906	5,624,906
Total liabilities	<u>12,144,680</u>	<u>4,221,557</u>	<u>16,366,237</u>
<u>NET ASSETS</u>			
Investment in capital assets, net of related debt	15,520,422	8,534,962	24,055,384
Restricted for:			
Capital projects	9,900,831	-	9,900,831
Debt service	200,163	-	200,163
Various purpose-sales taxes	41,250	-	41,250
Unrestricted	<u>(5,357,994)</u>	<u>3,104,872</u>	<u>(2,253,122)</u>
Total net assets	<u>\$ 20,304,672</u>	<u>\$ 11,639,834</u>	<u>\$ 31,944,506</u>

See accompanying notes to financial statements

CITY OF WESTLAKE, LOUISIANA

STATEMENT OF ACTIVITIES
Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Government activities:				
General government	\$ 10,039,488	\$ 220,924	\$ 5,886,225	\$ 72,847
Public safety:				
Police	1,419,436	244,609	35,314	-
Fire	1,059,747	-	429,314	-
Highway and streets	615,709	35,338	5,845	-
Sanitation	245,434	281,891	-	-
Cemeteries	9,487	-	4,524	-
Releaf	607	-	-	-
Post office	96,420	75,708	-	-
Total governmental activities	<u>13,486,328</u>	<u>858,470</u>	<u>6,361,222</u>	<u>72,847</u>
Business-type activities:				
Gas utility	2,989,947	2,593,740	12,352	-
Water utility	1,310,802	466,377	289,337	-
Sewer and sanitation	715,332	508,973	-	-
Total business-type activities	<u>5,016,081</u>	<u>3,569,090</u>	<u>301,689</u>	<u>-</u>
Total government	<u>\$ 8,470,247</u>	<u>\$ (2,710,620)</u>	<u>\$ 6,059,533</u>	<u>\$ 72,847</u>

General revenues:

Tax revenue

Investment income

Miscellaneous income

Distribution - gaming industry

Transfers

Total general revenues
and transfers

Change in net assets

Net assets at beginning of year

Net assets at end of year

See accompanying notes to financial statements

Net (Expenses) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
\$ (3,859,492)	\$ -	\$ (3,859,492)
(1,139,513)	-	(1,139,513)
(630,433)	-	(630,433)
(574,526)	-	(574,526)
36,457	-	36,457
(4,963)	-	(4,963)
(607)	-	(607)
(20,712)	-	(20,712)
(6,193,789)	-	(6,193,789)
-	(383,855)	(383,855)
-	(555,088)	(555,088)
-	(206,359)	(206,359)
-	(1,145,302)	(1,145,362)
(6,193,789)	(1,145,302)	(7,339,091)
2,861,870	391,820	3,253,690
293,278	55,576	348,854
227,291	77,612	304,903
1,776,506	-	1,776,506
(846,296)	846,296	-
4,312,649	1,371,304	5,683,953
(1,881,140)	226,002	(1,655,138)
22,185,812	11,413,832	33,599,644
<u>\$ 20,304,672</u>	<u>\$ 11,639,834</u>	<u>\$ 31,944,506</u>

TOWN OF WESTLAKE, LOUISIANA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2006

<u>ASSETS</u>	<u>General</u>	<u>Special Revenue</u>
Cash and cash equivalents	\$ 152,880	\$ 45,647
Investments	384,608	-
Receivables (net, where applicable, of allowance for uncollectibles):		
Accounts receivable	53,504	-
Taxes receivable	322	-
Grants and contributions receivable	5,629,296	3,483
Special assessments receivable	-	-
Due from other funds	18,506	-
Prepaid contracts	2,705	-
Restricted assets:		
Investments	<u>324,600</u>	<u>-</u>
Total assets	<u>\$ 6,566,421</u>	<u>\$ 49,130</u>

LIABILITIES AND FUND BALANCES

Accounts payable	\$ 7,178,840	\$ 917
Interest payable	-	-
Deferred income	-	-
Due to other funds	<u>2,417,212</u>	<u>6,963</u>
Total liabilities	9,596,052	7,880
Fund balances, unreserved	<u>(3,029,631)</u>	<u>41,250</u>
Total liabilities and fund balances	<u>\$ 6,566,421</u>	<u>\$ 49,130</u>

See accompanying notes to financial statements

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
\$ 200,942	\$ 2,373,178	\$ 2,772,647
-	4,481,104	4,865,712
-	-	53,504
-	137,390	137,712
-	26,253	5,659,032
33,870	-	33,870
-	2,912,005	2,930,511
-	-	2,705
-	-	324,600
<u>\$ 234,812</u>	<u>\$ 9,929,930</u>	<u>\$ 16,780,293</u>

\$ -	\$ 1,276	\$ 7,181,033
13,149	-	13,149
-	27,700	27,700
<u>21,500</u>	<u>123</u>	<u>2,445,798</u>
34,649	29,099	9,667,680
<u>200,163</u>	<u>9,900,831</u>	<u>7,112,613</u>
<u>\$ 234,812</u>	<u>\$ 9,929,930</u>	<u>\$ 16,780,293</u>

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TOWN OF WESTLAKE, LOUISIANA

RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2006

Total fund balance - total governmental funds			<u>\$ 7,112,613</u>
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds balance sheet			15,520,422
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds			148,637
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet:			
Due within one year	\$ (225,000)		
Due in more than one year	<u>(2,252,000)</u>	<u>(2,477,000)</u>	
Net assets of governmental activities			<u>\$ 20,304,672</u>

See accompanying notes to financial statements.

TOWN OF WESTLAKE, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2006

	General	Special Revenue
Revenues:		
Taxes and special assessments	\$ 1,724,119	\$ 18,267
Licenses and permits	209,503	-
Intergovernmental	402,697	-
Charges for services	321,591	-
Fines and forfeits	242,740	-
Investment income	37,267	3,582
Miscellaneous income	227,293	-
Bingo revenues	8,928	-
Grant proceeds	5,865,323	25,484
Donations	14,524	-
Post office lease	75,708	-
Distribution - gaming industry	-	-
Total revenues	<u>9,129,693</u>	<u>47,333</u>
Expenditures:		
Current:		
General government	9,755,196	18,333
Police	1,361,762	10,232
Fire	992,906	-
Streets	449,131	-
Sanitation	246,348	-
Cemeteries	10,496	-
Civil defense	7,855	-
Relief	83	-
Post office	96,431	-
Bad debt expense	7,001	-
Capital outlay	938,460	10,653
Debt service:		
Principal retirement	-	-
Administrative costs	-	-
Total expenditures	<u>13,865,669</u>	<u>39,218</u>
Excess (deficiency) of revenues over expenditures	(4,735,976)	8,115
Other financing sources (uses):		
Operating transfers in (out)	<u>832,636</u>	<u>(4,600)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(3,903,340)	3,515
Fund balance at beginning of year	<u>873,709</u>	<u>37,735</u>
Fund balance at end of year	<u>\$ (3,029,631)</u>	<u>\$ 41,250</u>

See accompanying notes to financial statements

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
\$ -	\$ 1,119,484	\$ 2,861,870
-	-	209,503
-	-	402,697
-	-	321,591
-	-	242,740
6,172	246,257	293,278
-	-	227,293
-	-	8,928
-	126,041	6,016,848
-	-	14,524
-	-	75,708
-	1,776,506	1,776,506
<u>6,172</u>	<u>3,268,288</u>	<u>12,451,486</u>
-	85,207	9,858,736
-	-	1,371,994
-	-	992,906
-	57	449,188
-	-	246,348
-	-	10,496
-	-	7,855
-	-	83
-	-	96,431
-	-	7,001
-	788,247	1,737,360
220,000	-	220,000
81,249	-	81,249
<u>301,249</u>	<u>873,511</u>	<u>15,079,647</u>
(295,077)	2,394,777	(2,628,161)
<u>296,927</u>	<u>(1,971,259)</u>	<u>(846,296)</u>
1,850	423,518	(3,474,457)
<u>198,313</u>	<u>9,477,313</u>	<u>10,587,070</u>
<u>\$ 200,163</u>	<u>\$ 9,900,831</u>	<u>\$ 7,112,613</u>

TOWN OF WESTLAKE, LOUISIANA

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2006

Net change in fund balances - total governmental funds \$ (3,474,457)

Amounts reported for governmental activities in the
statement of activities are different because:

Governmental funds report capital outlays as expenditures.

However, in the government-wide statement of activities
and changes in net assets, the cost of those assets is
allocated over their estimated useful lives and reported
as depreciation expense. This is the amount of capital
assets recorded in the current period.

1,737,359

Depreciation expense on capital assets is reported in the
government-wide statement of activities and changes in
net assets, but they do not require the use of current
financial resources. Therefore, depreciation expense
is not reported as expenditure in governmental funds.

(368,601)

The issuance of long-term debt provides current financial
resources to governmental funds, while the repayment of
the principal of long-term debt consumes the current
financial resources of governmental funds. Neither
transaction, however, has any effect on net assets.
This amount is the net effect of these differences in
the treatment of long-term debt and related items.

220,000

Some expenses reported in the statement of activities
do not require the use of current financial resources;
therefore, are not reported as expenditures in
governmental funds.

4,559

Change in net assets of governmental activities

\$ (1,881,140)

See accompanying notes to financial statements

TOWN OF WESTLAKE, LOUISIANA
PROPRIETARY FUNDS

STATEMENT OF NET ASSETS
Year Ended June 30, 2006

<u>ASSETS</u>	<u>Gas Utility</u>	<u>Water and Sewer</u>	<u>Total Proprietary Funds</u>
Cash and cash equivalents	\$ 434,401	\$ 661,073	\$ 1,095,474
Investments	166,633	648,727	815,360
Receivables (net, where applicable of allowance for uncollectibles):			
Accounts receivable	108,099	136,957	245,056
Grants and contributions receivable	-	65,424	65,424
Inventories	9,726	15,446	25,172
Prepaid insurance	48,961	53,754	102,715
Restricted assets:			
Cash and cash equivalents	78,143	51,393	129,536
Investments	165,098	11,252	176,350
Due from other funds	3,811	2,542	6,353
Capital assets, net of depreciation	<u>964,291</u>	<u>12,235,660</u>	<u>13,199,951</u>
Total assets	<u>1,979,163</u>	<u>13,882,228</u>	<u>15,861,391</u>
 <u>LIABILITIES</u>			
Accounts payable	8,743	27,924	36,667
Interest payable	-	20,183	20,183
Security deposits payable	136,458	37,276	173,734
Loans payable - current portion	-	127,000	127,000
Due to other funds	326,565	164,502	491,067
Noncurrent liabilities:			
Loans payable	<u>-</u>	<u>3,372,906</u>	<u>3,372,906</u>
Total liabilities	<u>471,766</u>	<u>3,749,791</u>	<u>4,221,557</u>
 <u>NET ASSETS</u>			
Investment in capital assets, net of related debt	964,695	7,570,267	8,534,962
Net assets, unrestricted	<u>542,702</u>	<u>2,562,170</u>	<u>3,104,872</u>
Total net assets	<u>\$ 1,507,397</u>	<u>\$ 10,132,437</u>	<u>\$ 11,639,834</u>

See accompanying notes to financial statements

TOWN OF WESTLAKE, LOUISIANA
PROPRIETARY FUNDS

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
Year Ended June 30, 2006

	Gas Utility	Water and Sewer	Total Proprietary Funds
Operating revenues:			
Charges for services	\$ 2,584,956	\$ 960,400	\$ 3,545,356
Operating expenses:			
Personnel services	558,382	409,943	968,325
Contractual services	12,070	8,907	20,977
Supplies	68,757	317,445	386,202
Other services and charges	266,741	360,513	627,254
Heat, light and power	8,784	167,634	176,418
Natural gas for resale	1,972,892	-	1,972,892
Sewage usage expense	-	222,317	222,317
Bad debt expense	15,979	17,901	33,880
Depreciation and amortization	86,341	399,734	486,075
Total operating expenses	2,989,946	1,904,394	4,894,340
Operating income (loss)	(404,990)	(943,994)	(1,348,984)
Nonoperating revenues (expenses):			
Tax revenue	-	391,820	391,820
Tap fees	8,784	14,950	23,734
Investment income	16,367	39,209	55,576
Miscellaneous income	3,347	74,263	77,610
Grant proceeds	12,352	289,337	301,689
Interest expense	-	(121,739)	(121,739)
Total nonoperating revenues (expenses)	40,850	687,840	728,690
Income (loss) before contributions and transfers	(364,140)	(256,154)	(620,294)
Capital contributions and transfers:			
Operating transfers in (out)	88,880	757,416	846,296
Net income	(275,260)	501,262	226,002
Net assets at beginning of year	1,782,657	9,631,175	11,413,832
Net assets at end of year	\$ 1,507,397	\$ 10,132,437	\$ 11,639,834

See accompanying notes to financial statements

TOWN OF WESTLAKE, LOUISIANA
PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS
Year Ended June 30, 2006

	<u>Gas Utility</u>	<u>Water and Sewer</u>	<u>Total Proprietary Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 2,577,194	\$ 894,113	\$ 3,471,307
Cash payments to suppliers for goods and services	(2,339,652)	(1,088,826)	(3,428,478)
Cash payments to employees for services	(558,382)	(409,943)	(968,325)
Net cash provided by (used in) operating activities	<u>(320,840)</u>	<u>(604,656)</u>	<u>(925,496)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Tax revenue	-	391,820	391,820
Tap fees	8,784	14,950	23,734
Miscellaneous income	3,347	74,263	77,610
Grant proceeds	12,352	289,337	301,689
Operating transfers in	88,880	757,416	846,296
Change in due to/from	337,004	172,349	509,353
Net cash provided by (used in) noncapital financing activities	<u>450,367</u>	<u>1,700,135</u>	<u>2,150,502</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of fixed assets	(79,760)	(1,400,178)	(1,479,938)
Principal retirement	-	(122,000)	(122,000)
Interest expense	-	(121,739)	(121,739)
Net cash (used in) capital and related financing activities	<u>(79,760)</u>	<u>(1,643,917)</u>	<u>(1,723,677)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	16,367	39,209	55,576
Purchase (sale) of investments	(2,456)	(593)	(3,049)
Net cash provided by investing activities	<u>13,911</u>	<u>38,616</u>	<u>52,527</u>

(continued on next page)

TOWN OF IOWA, LOUISIANA
 PROPRIETARY FUND - WATER UTILITY

STATEMENT OF CASH FLOWS
 Year Ended June 30, 2006
 (Continued)

	<u>Gas Utility</u>	<u>Water and Sewer</u>	<u>Total Proprietary Funds</u>
Net increase (decrease) in cash and cash equivalents	63,678	(509,822)	(446,144)
Cash and cash equivalents:			
Beginning of year	<u>448,866</u>	<u>1,222,288</u>	<u>1,671,154</u>
End of year	<u>\$ 512,544</u>	<u>\$ 712,466</u>	<u>\$ 1,225,010</u>
Cash and cash equivalents at end of year consisted of:			
Unrestricted cash	\$ 434,401	\$ 661,073	\$ 1,095,474
Restricted cash	<u>78,143</u>	<u>51,393</u>	<u>129,536</u>
	<u>\$ 512,544</u>	<u>\$ 712,466</u>	<u>\$ 1,225,010</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (404,990)	\$ (943,994)	\$ (1,348,984)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	86,341	399,734	486,075
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable and other receivables	(11,635)	(68,335)	(79,970)
(Increase) decrease in inventories	13,262	1,312	14,574
(Increase) decrease in prepaid expenses	(7,814)	(11,790)	(19,604)
Increase (decrease) in accounts payable and other payables	122	17,071	17,193
Increase in customer deposits	3,874	2,048	5,922
(Decrease) in interest payable	<u>-</u>	<u>(702)</u>	<u>(702)</u>
Net cash provided by (used in) operating activities	<u>\$ (320,840)</u>	<u>\$ (604,656)</u>	<u>\$ (925,496)</u>

(continued on next page)

TOWN OF IOWA, LOUISIANA
PROPRIETARY FUND - WATER UTILITY

STATEMENT OF CASH FLOWS
Year Ended June 30, 2006
(Continued)

	Gas Utility	Water and Sewer	Total Proprietary Funds
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES			
Water plant improvements and water line extensions transferred from Capital Projects Fund	\$ 88,880	\$ 753,773	\$ 842,653

See accompanying notes to financial statements

CITY OF WESTLAKE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

1) Summary of Significant Accounting Policies

The City of Westlake, Louisiana, was incorporated on December 1, 1945, under the provisions of the Lawrason Act. The City operates a Mayor-City Council form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, recreation, public improvements, and general administrative services.

The accounting and reporting policies of the City of Westlake conform to accounting principles generally accepted in the United States of America as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the *Louisiana Municipal Audit and Accounting Guide*, and to the industry audit guide, *Audits of State and Local Governmental Units*.

The Governmental Accounting Standards Board (GASB) Statement Number 20 (effective for financial statements for periods beginning after December 15, 1993) provides guidance on accounting and financial reporting for proprietary fund types and allows proprietary fund types to choose one of two options in applying pronouncements issued by the Financial Accounting Standards Board (FASB) after November 30, 1989. The City of Westlake has elected to use the first option for reporting its activities. This approach applies all GASB pronouncements and FASB Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Changes to FASB statements and interpretations, APB opinions and ARBs issued after November 30, 1989, would not apply unless adopted by GASB.

The following is a summary of certain significant accounting policies.

A. Financial Reporting Entity

The accompanying financial statements include the various departments, activities, and organizational units that are within the control and authority of the Mayor and Board of Aldermen of the City of Westlake, Louisiana. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Statement

No. 14 of the Governmental Accounting Standards Board. This statement defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

Based on the foregoing criteria, the City of Westlake has no other fiscal or significant managerial responsibility over any other governmental unit that is not included in the financial statements of the City of Westlake.

B. Change in Accounting Principles

The City of Westlake, Louisiana adopted the provisions of GASB Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (Statement 34) and GASB Statement 33, *Accounting and Financial Reporting for Nonexchange Transactions* (Statement 33) for the year ended June 30, 2004. Statement 34 establishes financial reporting standards for all state and local governments and related entities. Statement 34 primarily relates to presentation and disclosure requirements. This had an impact on capital assets, the presentation of net assets and the inclusion of management's discussion and analysis. Concurrent with the implementation of Statement 34, the following additional standards have been adopted. GASB Statement 37, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus*. This Statement amends Statement 34 to either (1) clarify certain provisions or (2) modify other provisions that the GASB believes may have unintended consequences in some circumstances. GASB Statement 38, *Certain Financial Statement Note Disclosures*. This Statement modifies, establishes and rescinds certain financial statement disclosure requirements.

C. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the activities of the primary government. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses.

The Statement of Net Assets and the Statement of Activities report financial information for the City as a whole so that individual funds are not displayed. However, the Statement of Activities reports the expense of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may

include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and (2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

FUND FINANCIAL STATEMENTS

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into five generic fund types and two broad fund categories as follows:

GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. Also included is the repayment of special assessment debt and the support provided through special assessment taxes.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds).

PROPRIETARY FUNDS

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. Measurement Focus and Basis of Accounting

Measurement focus refers to which transactions are recorded within various financial statements. Basis of accounting refers to when revenues and expenditures (or expenses) are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for government funds. The primary effect of internal activity (between or within funds) has been eliminated from the government-wide financial statements.

In the fund financial statements, governmental funds are accounted for using a financial resources measurement focus whereby only current assets and current liabilities generally are included on the balance sheet and increases or decreases in net current assets are presented in the operating statements. These funds utilize the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available to finance expenditures of the current period. Certain revenues such as sales tax, property tax, and charges for services are assessed and collected in such a manner that they can be accrued appropriately. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for principal and interest on general long-term debt which are recognized when due. Also, expenditures for accrued compensated absences are not recognized until they are payable from current available financial resources.

The proprietary funds, also in the fund financial statements, is accounted for and reported using a flow of economic resources measurement focus and the accrued basis of accounting. The economic resource measurement focus means that all assets and liabilities are included on the statement of net assets and operating statements present increases and decreases in net total assets. Under the accrual basis of accounting revenues are recognized when earned and expenses are recognized at the time the liability is incurred.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 15, the Accountant submits to the Mayor and City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at City Hall to obtain comments from the public.
3. Prior to June 30, the budget is legally enacted through passage of an ordinance.
4. Amendments to the budget are approved by the City Council by a formal adoption of an ordinance.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds. Formal budgetary integration is not employed for Debt Service Funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.
6. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). Budgeted amounts are as originally adopted, or as amended by the City Council.
7. All budgetary appropriations lapse at the end of each fiscal year.

8. Budgetary amendments involving increases in expenditures resulting from revenues exceeding expenditures requires the approval of the City Council.
9. The budget and actual comparison presented in Exhibit C in the accompanying financial report includes the General Fund and Special Revenue Funds. The capital budget ordinances that encompass the Capital Projects Funds present cumulative as opposed to annual budget amounts and thus budget and actual comparisons are not reported in the accompanying financial report for these funds.
10. The City Charter provides that expenditures cannot legally exceed appropriations within any fund of the City.

F. Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits and certificates of deposit. The City considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents are stated at cost.

Louisiana State Statutes, as stipulated in R.S. 39:1271, authorize the Town to invest in United States bonds, treasury notes, or certificates, or time certificates of deposit of state banks organized under the laws of Louisiana and national banks having the principal office in the State of Louisiana. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP), a nonprofit corporation formed by an initiative of the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool. These investments are stated at cost.

The City has stated all other investments, not included above, at fair value as of June 30, 2006, in accordance with GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Fair value was determined by obtaining "quoted" year end market prices.

G. Allowance for Uncollectibles

Uncollectible amounts due for ad valorem taxes, customers' utility receivables, and special assessments are recognized as bad debts at the time information becomes available which would indicate the uncollectibility of the particular receivable. This method does not result in a charge to bad debts that is materially different from the amount that would be charged if the reserve method were used.

H. Inventory

Inventory is valued at the lower of cost (first-in, first-out) or market. General Fund inventories are accounted for under the consumption method where expenditures are recorded when the goods are used.

I. Interfund Activity

Interfund activity is reported as either loans, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

J. Prepaid Items

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year.

K. Restricted Assets

These assets consist of cash and investments restricted for various purposes as detailed in Note 5.

L. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant, and equipment.

Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. These assets have been valued at estimated historical cost.

Assets capitalized have any original cost of \$1,000 or more and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Production and distribution system	20-50 years
Buildings	20 years
Improvements other than buildings	20-50 years
Machinery and equipment	5-10 years
Data processing equipment	5-10 years
Infrastructure	5-40 years

M. Restricted Net Assets

The City records reserves to indicate that a portion of the fund balance or retained earnings is legally segregated for a specific future use.

N. Revenues - Exchange and Nonexchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within thirty-one days of fiscal year end.

Nonexchange transactions, in which the City receives value without directly giving value in return, includes grants and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must be available before it can be recognized.

Expenses/Expenditures:

On an accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. Nonoperating revenues and expenses include all those related to capital and related financing, noncapital financing, or investing activities.

O. Accumulated Unpaid Sick Pay

Accumulated unpaid sick pay was not considered material at June 30, 2006 and is not reflected in these financial statements.

2) Cash and Cash Equivalents

Deposits in excess of federally insured amounts are required by Louisiana state statute to be protected by collateral of equal market value. Authorized collateral includes general obligations of the U.S. Government, obligations issued or guaranteed by an agency established by the U.S. Government, general obligation bonds of any state of the U.S., or any Louisiana parish, municipality, or school district. The City's bank and demand and time deposits at year end were entirely covered by federal depository insurance or by pledge of securities owned by the financial institution in the City's name.

3) Investments

Louisiana state statutes authorize the City to invest in United States bonds, treasury notes, or certificates, or time certificates of deposit of state banks organized under the laws of Louisiana and national banks having the principal office in the State of Louisiana, investment as stipulated in R.S. 39:1271, or any other federally insured investment, or in mutual or trust fund institutions, which are registered with the Securities and Exchange Commission under the Security Act of 1933 and the Investment Act of 1940, and which have underlying investments consisting solely of and limited to securities of the United States government or its agencies.

As of June 30, 2006, the City had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
Money funds	\$ 421,095	\$ 421,095	\$ -	\$ -	\$ -
LAMP	3,208,954	3,208,954	-	-	-
Mortgage backed securities	2,551,973	172	366,813	288,078	1,896,910
Total	\$ 6,182,022	\$ 3,630,221	\$ 366,813	\$ 288,078	\$ 1,896,910

Interest rate risk. The City's investment policy does not address interest rate risk.

Credit risk. In accordance with state law, the City limits investments to the following:

1. Direct U.S. Treasury obligations, the principal and interest of which are fully guaranteed by the U.S. government.
2. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by federal agencies and provided such obligations are backed by the full faith and credit of the U.S., including U.S. Export Import Bank, Farmers Home Administration, Federal Financing Bank, Federal Housing Administration Debentures, General Services Administration, Government National Mortgage Association (guaranteed mortgage-backed bonds and guaranteed pass-through obligations), U.S. Maritime Administration (guaranteed Title XI financing), and U.S. Department of Housing and Urban Development.
3. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by U.S. government instrumentalities, which are federally sponsored, including Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Student Loan Marketing Association, and Resolution Funding Corporation.
4. Direct security repurchase agreements of any federal bank entry only securities enumerated above.
5. Time certificates of deposit of state banks organized under the laws of Louisiana or national banks having their principal offices in the state of Louisiana, savings accounts or shares of savings and loan associations and savings banks, or share accounts and share certificates accounts of federally or state chartered credit unions issuing time certificates of deposit; provided that the rate of interest paid for time certificates of deposit shall be not less than fifty basis points below the prevailing market interest rate on direct obligations of the U.S. Treasury with a similar length of maturity.
6. Mutual or trust fund institutions which are registered with the Securities and Exchange Commission under the Securities Act of 1933 and the Investment Act of 1940, and which have underlying investments consisting solely of and limited to securities of the U.S. government or its agencies.

As of June 30, 2006, all of the City's investments were held according to policy.

Custodial credit risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counter party, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Investments held at June 30, 2006, consist of \$3,208,954 in the Louisiana Asset Management Pool, Inc. (LAMP), a local government investment pool (see Summary of Significant Accounting Policies). LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana, which was formed by an initiative of the State Treasurer in 1993. The corporation is governed by a board of directors comprising the State Treasurer, representatives from various organizations of local government, the Government Finance Officers Association of Louisiana, and the Society of Louisiana CPAs. Only local governments having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term high-quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designated to be highly liquid to give its participants immediate access to their account balances.

The City had unrealized losses on certain investments at June 30, 2006 in the amount of \$227,672. The City plans to hold all investments until maturity.

4) Interfund Fund Transactions

Interfund receivables and payables were as follows at June 30, 2006:

	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 18,506	\$ 2,417,212
Special Revenue	-	6,963
Debt Service	-	21,500
Capital Projects	2,912,006	123
Enterprise Funds	6,353	491,067
	<u>\$ 2,936,865</u>	<u>\$ 2,936,865</u>

Operating transfers as of June 30, 2006 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Debt service	\$ -	\$ 3,644
Capital projects	<u>836,280</u>	<u>-</u>
Total general fund	<u>836,280</u>	<u>3,644</u>
Special Revenue:		
General fund	<u>-</u>	<u>4,600</u>
Debt Service:		
Capital projects	<u>296,928</u>	<u>-</u>
Capital Projects:		
General fund	-	831,675
Debt service	-	296,932
Enterprise funds	<u>-</u>	<u>842,653</u>
Total capital projects	<u>-</u>	<u>1,971,260</u>
Enterprise Funds:		
Capital projects	<u>846,296</u>	<u>-</u>
Grand totals	<u>\$ 1,979,504</u>	<u>\$ 1,979,504</u>

5) Restricted Assets - Proprietary Fund Type

Restricted assets were applicable to the following at June 30, 2006:

	<u>2006</u>	<u>2005</u>
Customer deposits	<u>\$ 173,734</u>	<u>\$ 167,814</u>

6) Changes in Capital Assets

Capital asset activity for the year ended June 30, 2006, was as follows:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 4,698,333	\$	\$	\$ 4,698,333
Construction in progress	<u>1,798,069</u>	<u>777,537</u>	<u>-</u>	<u>2,575,606</u>
Total capital assets not being depreciated	<u>6,496,402</u>	<u>777,537</u>	<u>-</u>	<u>7,273,939</u>
Capital assets being depreciated:				
Buildings	3,457,974	7,197	-	3,465,171
Furniture and equipment	703,259	214,640	1,395	916,504
Vehicles	1,357,467	727,275	-	2,084,742
Infrastructure	<u>5,422,942</u>	<u>10,710</u>	<u>-</u>	<u>5,433,652</u>
Total capital assets being depreciated	<u>10,941,642</u>	<u>959,822</u>	<u>1,395</u>	<u>11,900,069</u>
Less accumulated depreciation for:				
Buildings	1,074,180	79,464	-	1,153,644
Furniture and equipment	580,243	53,342	1,395	632,190
Vehicles	739,960	99,953	-	839,913
Infrastructure	<u>891,998</u>	<u>135,841</u>	<u>-</u>	<u>1,027,839</u>
Total accumulated depreciation	<u>3,286,381</u>	<u>368,600</u>	<u>1,395</u>	<u>3,653,586</u>
Government activities capital assets, net	<u>\$14,151,663</u>	<u>\$1,368,759</u>	<u>\$ -</u>	<u>\$15,520,422</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 213,998	\$ -	\$ -	\$ 213,998
Construction in progress	<u>4,180,572</u>	<u>888,981</u>	<u>-</u>	<u>5,069,553</u>
Total capital assets not being depreciated	<u>4,394,570</u>	<u>888,981</u>	<u>-</u>	<u>5,283,551</u>
Capital assets being depreciated:				
Production systems	15,723,269	94,765	-	15,818,034
Buildings	126,980	110,036	-	237,016
Machinery and equipment	752,494	372,409	-	1,124,903
Vehicles	<u>331,142</u>	<u>13,746</u>	<u>-</u>	<u>344,888</u>
Total capital assets being depreciated	<u>16,933,885</u>	<u>590,956</u>	<u>-</u>	<u>17,524,841</u>

(continued on next page)

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Less accumulated depreciation for:				
Production systems	8,303,769	371,876	-	8,675,645
Buildings	68,868	8,806	-	77,674
Machinery and equipment	477,155	80,240	-	557,395
Vehicles	272,575	25,152	-	297,727
Total accumulated depreciation	<u>9,122,367</u>	<u>486,074</u>	<u>-</u>	<u>9,608,441</u>
Business-type activities capital assets, net	<u>\$12,206,088</u>	<u>\$ 993,863</u>	<u>\$ -</u>	<u>\$13,199,951</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 87,322
Public safety:	
Police	53,996
Fire	70,346
Highway and streets	156,413
Relief	523
Total depreciation	<u>\$ 368,600</u>

7) Long-Term Debt

Long-term debt is comprised of the following:

\$2,585,000 2004 general series bonds due in annual installments varying in amounts through November 1, 2014; interest at 5.18%	<u>\$ 2,355,000</u>
\$3,750,000 revenue bond due in semi-annual installments varying in amounts through November 1, 2024; interest at 3.45%	<u>\$ 3,499,906</u>

Long-term liability activity for the year ended June 30, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
Certificates of indebtedness:					
Series 2004	<u>\$ 2,575,000</u>	<u>\$ -</u>	<u>\$ 220,000</u>	<u>\$ 2,355,000</u>	<u>\$ 225,000</u>

	Beginning			Ending	Amounts
	Balance	Additions	Reductions	Balance	Due Within
					One Year
Business-type activities:					
Certificates of					
indebtedness	\$ 3,621,906	\$ -	\$ 122,000	\$ 3,499,906	\$ 127,000

Debt service requirements at June 30, 2006 were as follows:

Governmental activities:

<u>Year Ended June 30,</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 225,000	\$ 75,124	\$ 127,000	\$ 118,904
2008	235,000	67,419	132,000	114,437
2009	240,000	59,463	138,000	109,779
2010	250,000	51,255	143,000	104,932
2011	260,000	42,713	149,000	99,895
2012-2015	1,145,000	78,472	838,000	416,589
2016-2020	-	-	1,016,000	257,129
2021-2025	-	-	956,906	68,325
	<u>\$ 2,355,000</u>	<u>\$ 374,446</u>	<u>\$ 3,499,906</u>	<u>\$ 1,289,990</u>

8) Capital Project Fund

The capital project fund is being used to account for the construction of improvements to the municipal waterworks system and various streets within the City. Financing for the improvements is being provided by the renewal of a one cent sales tax. The work will entail water line relocation and the replacement of shell and asphalt streets with concrete. Additional capital projects include acquisition and development of North Westlake and Olin properties that are partly funded by general obligation debt of \$2,575,000. The long-term debt will be repaid from gaming industry distributions.

9) Property Tax

Taxes are levied on June 1, billed on November 1, and payable by December 31. The City bills and collects its own property taxes. City property tax revenues are recognized when billed to the extent that they result in current receivables. Unpaid taxes are delinquent by January 1st. Sale of delinquent properties is held once a year.

The total millage is 6.40 divided as follows:

	<u>Millage</u>	<u>Tax Collected</u>
General purpose tax	6.40	\$ 147,053

10) Delinquent Assessments

The City is contingently liable for amounts shown as delinquent assessment receivables. The total amount delinquent for the fiscal year ended June 30, 2006 was \$3,763.

11) Dedication of Proceeds and Flow of Funds - Two and One-Half Percent Sales Tax

Proceeds of the two percent sales tax levied by the City of Westlake are collectible by the Sales Tax Fund and are dedicated and distributed as follows:

- A. One percent of the two percent collected is distributed to the Capital Projects Fund for the Water Fund/Street Improvement Program. This tax is a perpetual tax.
- B. An amount equal to .25 of one percent is transferred to the General Fund Street Department. This tax expires on June 30, 2007.
- C. An amount equal to .05 of one percent is transferred to the General Fund Police Department. This tax expires on June 30, 2007.
- D. An amount equal to .35 of one percent is distributed to the General Fund Fire Department. This tax is a perpetual tax.
- E. An amount equal to .35 of one percent is distributed to the Water Works Enterprise Fund. This tax is a perpetual tax.

Proceeds of the one-half percent sales tax, which was renewed on October 1, 1997 and is to run for ten years is dedicated to the following:

- A. The sales tax is to be used for the operation and maintenance of the Westlake Police Department.

12) Pension Plan

Municipal Police Employees Retirement System

Plan Description:

The City of Westlake contributes to the Municipal Police Employees' Retirement System, a cost-sharing multiple employer plan administered by the Municipal and State Police Employee's Retirement System of Louisiana. The Municipal Police Employees' Retirement System was established as of July 1, 1973, by Act 189 of 1973 and amended by RS 33:2371 of the 1986 session to become Municipal and State Police Retirement System of Louisiana. The System is a state retirement system that was created to provide retirement benefits for full time municipal police officers in Louisiana, and state police officers hired after January 1, 1987. The System is administered by a Board of Trustees of the Retirement Committee of the House of Representatives and the Chairman of the Senate Finance Committee, or their designees, to serve as voting ex-officio members of the Board. Historical trend information for this plan is included in the separately issued report for the Municipal Employee's Retirement System for the period ended June 30, 2005.

Funding Policy:

Plan members are required to contribute 7.5% of their annual covered salary and the City of Westlake is required to contribute at a statutorily determined rate. The current rate is 16.25% of annual covered payroll. The contribution requirements of plan members and the City of Westlake are established and may be amended by the Board of Trustees. The City of Westlake's contributions to the Municipal Police Employees' Retirement System for the years ending June 30, 2006, 2005, and 2004 were \$105,755, \$128,599, and \$93,605, respectively, equal to the required contributions for each year.

Firefighters' Retirement System of the State of Louisiana

This system, which covers full-time fire department employees who are not members of other retirement systems, has the same contribution requirements and major benefits provisions as the Municipal Police Employees' Retirement System described above. Employees are required to contribute 8% of covered earnings, and the City is required to contribute an actuarially determined rate that is currently 18% of covered payroll.

The City of Westlake's contributions to the Firefighter's Retirement System for the years ended June 30, 2006 and 2005 were \$46,577 and \$35,794, respectively, which equals the required contributions for the years. The financial report for this system may be obtained from Firefighters' Retirement System, PO Box 94095, Capitol Station, Baton Rouge, LA 70804-9095.

Municipal Employee's Retirement System

Plan Description:

The City of Westlake contributes to the Municipal Employees' Retirement System of Louisiana, a cost-sharing multiple-employer plan administered by the Municipal Employee's Retirement System, State of Louisiana. The Municipal Employees' Retirement System of Louisiana was established by Act 356 of the 1954 regular session of the Legislature of the State of Louisiana to provide retirement benefits to employees of all incorporated villages, towns and cities within the State, which did not have their own retirement systems and which elected to become members of the System. The System is administered by a Board of Trustees composed of nine members, six of whom shall be active and contributing members of the System with at least ten years creditable service, elected by the members of the System; one of whom shall be the president of the Louisiana Municipal Association who shall serve as an ex-officio member during his tenure; one of whom shall be the Chairman of the Senate Retirement Committee; one of whom shall be the Chairman of the House Retirement Committee of the Legislature of Louisiana. Act #569 of the year 1968 established by the Legislature of the State of Louisiana provides an optional method for municipalities to cancel Social Security and come under supplementary benefits in the Municipal Employees' Retirement System, effective on and after June 30, 1970. Effective October 1, 1978, under Act #788, the "regular plan" and the "supplemental plan" were replaced, and are now known as Plan "A" and Plan "B". Plan "A" combines the original plan and the supplemental plan for those municipalities participating in both plans, while Plan "B" participates in only the original plan. The City of Westlake is a member of plan "A" of the retirement system. Historical trend information for this plan is included in the separately issued report for the Municipal Employee's Retirement System for the period ended June 30, 2005.

Funding Policy:

Plan members are required to contribute 9.25% of their annual covered salary and the City of Westlake is required to contribute at a statutorily determined rate. The current rate is 16% of annual covered payroll. The contribution requirements of plan members and the City of Westlake are established and may be amended by the Board of Trustees. The City of Westlake's contributions to the Municipal Employees' Retirement System of Louisiana for the years ending June 30, 2006, 2005, and 2004 were \$167,088, \$146,716, and \$111,794, respectively, equal to the required contributions for each year.

13) Litigation

Two suits have been filed in connection with the alleged expiration of a 1% sales tax seeking refund of sales taxes paid. According to legal counsel, the two suits have been consolidated for the purpose of trial. Attempts to resolve or settle this matter have been unsuccessful at this time and a trial date has not been established. The City is vigorously contesting the two suits. It is the opinion of legal counsel that the City of Westlake does have liability exposure, but it would only be to the extent of each of the claimants' request for refund and not pursuant to a class action. Also, the City will incur substantial attorney's fees in the defense of this claim, however, the City should not fall under a financial burden in defending this matter.

An employment discrimination claim has been filed with the EEOC against the City. Mediation was held and the claim was not settled. The claimant filed suit alleging only State of Louisiana discrimination claims in the matter. The case was dismissed with prejudice. A motion for a new trial was filed and denied, however, the plaintiff appealed to the 3rd Circuit Court of Appeals which reversed the District Court decision. This matter is pending trial.

The City has various other threatened or pending lawsuits lodged against it. It is the opinion of legal counsel that all of the claims are adequately covered by the City's liability insurance.

14) Cooperative Agreement

During the fiscal year ended June 30, 1996, the City entered into a cooperative agreement with the Calcasieu Parish Police Jury, whereby the City will receive \$1,000,000 per year. This payment is to provide funding to the City to offset the effects of the location of a river boat casino at a site known as the Burton Shell Yard. This amount will be paid evenly over four quarters each year as long as the owner of the river boat pays such amount to the Police Jury.

In the event the owner ceases operation of the casino at any time within six years of the opening date, the Police Jury and the City have agreed to an equal division of a \$1,000,000 annual cash payment.

This obligated annual payment will stop at any time the City begins the levying or collection of a head or similar tax from a river boat berthed in the City, unless the City agrees to contribute an amount to the Police Jury equal to the \$1,000,000 from any proceeds it receives from any river boat berthed in the City.

The City Council has restricted these funds for use in Capital Projects only and not for operations of the City.

15) Rental Agreement

The City of Westlake and the United States Postal Service entered into an agreement to rent a newly constructed postal facility site developed by the City of Westlake on May 15, 1999 and ending May 14, 2013 for a total of 15 years. The annual rent for the facility is set at \$75,708, payable in monthly installments of \$6,309. The lease may be renewed at the option of the U.S. Postal Service for 2 five year terms at an annual rental of \$75,708.

16) Deficit Fund Balance

As of June 30, 2006, there was a deficit of \$3,029,631 in the General Fund. The deficit has been caused mainly due to the pending contingent amounts outstanding with FEMA for debris removal the City performed after Hurricane Rita. See Note 17.

17) Contingency

The City of Westlake was denied payment of \$3,055,185 in debris removal by FEMA for cleanup efforts after Hurricane Rita. The City has appealed for reimbursement of the expenses. As of the release of this report, it could not be determined how much, if any, of the expenses will be reimbursed. The expenses have been reflected in these statements, but no receivable has been recorded.

18) Subsequent Event

- A. During November, 2006, it was determined that the Calcasieu Parish School Board received notice that a sales tax vendor has over remitted sales tax for various Calcasieu Parish entities in the amount of \$2,074,787. The City of Westlake, Louisiana's portion of this amount totals \$599,130. The City is in the process of settling this overpayment with the vendor.
- B. On January 22, 2007, the City of Westlake was notified that one of the two appeals filed resulted in the City receiving \$746,040 for FEMA payment worksheet number 1607. The City has still not received information relating to the second appeal as of the date of this report.

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REQUIRED SUPPLEMENTARY INFORMATION

- Budgetary comparisons

CITY OF WESTLAKE, LOUISIANA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

GENERAL FUND

Year Ended June 30, 2006

	2006			Variance
	Original	Final	Actual	Favorable (Unfavorable)
Revenues:				
Tax revenue	\$ 1,482,392	\$ 1,708,392	\$ 1,724,119	\$ 15,727
Licenses and permits	160,000	160,000	209,503	49,503
Intergovernmental	360,719	391,587	402,697	11,110
Charges for services	319,166	319,166	321,591	2,425
Fines and forfeits	330,000	339,000	242,740	(96,260)
Investment income	12,000	12,000	37,267	25,267
Miscellaneous income	30,800	30,800	227,293	196,493
Bingo revenues	12,500	12,500	8,928	(3,572)
Grant proceeds	-	5,886,100	5,865,323	(20,777)
Donations	9,000	9,000	14,524	5,524
Post office lease	75,708	75,708	75,708	-
Total revenues	<u>2,792,285</u>	<u>8,944,253</u>	<u>9,129,693</u>	<u>185,440</u>
Expenditures:				
Current:				
General government	541,771	9,573,771	9,755,196	(181,425)
Police	1,254,486	1,370,926	1,361,762	9,164
Fire	847,229	1,042,270	992,906	49,364
Streets	407,170	439,170	449,131	(9,961)
Sanitation	262,392	262,392	246,348	16,044
Cemeteries	8,539	8,539	10,496	(1,957)
Civil defense	12,717	12,717	7,855	4,862
Relief	5,000	5,000	83	4,917
Post office	6,690	6,690	96,431	(89,741)
Bad debt expense	-	-	7,001	(7,001)
Capital outlay	<u>792,200</u>	<u>792,200</u>	<u>938,460</u>	<u>(146,260)</u>
Total expenditures	<u>4,138,194</u>	<u>13,513,675</u>	<u>13,865,669</u>	<u>(351,994)</u>
Excess (deficiency) of revenues over expenditures	(1,345,909)	(4,569,422)	(4,735,976)	(166,554)
Other financing sources (uses):				
Operating transfers in	<u>1,348,908</u>	<u>1,372,421</u>	<u>832,636</u>	<u>(539,785)</u>
Excess (deficiency) of revenues and other sources over expenditures	2,999	(3,197,001)	(3,903,340)	(706,339)
Fund balance at beginning of year	<u>24,222</u>	<u>24,222</u>	<u>873,709</u>	<u>849,487</u>
Fund balance at end of year	<u>\$ 27,221</u>	<u>\$ (3,172,779)</u>	<u>\$ (3,029,631)</u>	<u>\$ 143,148</u>

See accompanying notes to financial statements

CITY OF WESTLAKE, LOUISIANA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 SPECIAL REVENUE FUND
 Year Ended June 30, 2006

	Original	2006 Final	Actual	Variance Favorable (Unfavorable)
Revenues:				
Tax revenue	\$ 20,000	\$ 20,000	\$ 18,267	\$ (1,733)
Investment income	-	-	3,582	3,582
Grant proceeds	7,699	7,699	25,484	17,785
Total revenues	<u>27,699</u>	<u>27,699</u>	<u>47,333</u>	<u>19,634</u>
Expenditures:				
Current:				
General government	20,000	20,000	18,333	1,677
Police	3,000	3,000	10,232	(7,232)
Capital outlay	-	-	10,653	(10,653)
Total expenditures	<u>23,000</u>	<u>23,000</u>	<u>39,218</u>	<u>(16,218)</u>
Excess (deficiency) of revenues over expenditures	4,699	4,699	8,115	3,416
Other financing sources (uses):				
Operating transfers out	<u>-</u>	<u>-</u>	<u>(4,600)</u>	<u>(4,600)</u>
Excess (deficiency) of revenues over expenditures and other uses	4,699	4,699	3,515	(1,184)
Fund balance at beginning of year	<u>37,735</u>	<u>37,735</u>	<u>37,735</u>	<u>-</u>
Fund balance at end of year	<u>\$ 42,434</u>	<u>\$ 42,434</u>	<u>\$ 41,250</u>	<u>\$ (1,184)</u>

See accompanying notes to financial statements

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SUPPORTING SCHEDULE

CITY OF WESTLAKE, LOUISIANA

SCHEDULE OF COMPENSATION PAID TO MAYOR AND CITY COUNCIL MEMBERS
Years Ended June 30, 2006 and 2005

<u>Name and Title</u>	<u>Compensation</u>	
	<u>2006</u>	<u>2005</u>
Dudley R. Dixon, Mayor	\$ 61,175	\$ 56,163
Mr. Gerald Washington, Councilman, Mayor Pro-Tem	6,062	5,765
Mr. Daniel Cupit, Councilman	4,384	4,103
Mr. Wally Anderson, Councilman	4,384	4,103
Mr. Daniel Racca, Councilman	4,384	4,103
Mr. Robert Hardy, Councilman	4,384	4,103

CITY OF WESTLAKE, LOUISIANA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2006

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Grantor's Number</u>	<u>Expenditures</u>
LETPP - Homeland Security	16.592		\$ 17,085
Louisiana Community Development Block Grant - Housing Program	14.228		72,847
Federal Emergency Management Agency: Public Assistance Grants (Note C)	83.544		<u>9,280,101</u>
Total expenditures for federal awards			<u>\$ 9,370,033</u>

See accompanying notes to schedule of expenditures of federal awards.

CITY OF WESTLAKE, LOUISIANA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2006

Note A. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Westlake and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note B. Department of Environmental Quality Loan

The Department of Environmental Quality (DEQ) Loan is a loan program through which the State of Louisiana receives federal money to then loan to municipalities to improve water treatment. The City of Westlake is receiving money from the State under the loan program. The City of Westlake entered into the loan agreement on March 1, 2003 for an amount not to exceed \$3,750,000. The DEQ loan disburses funds to the City of Westlake after the expenditure is made. Interest of 3.45% per annum on the outstanding balance is paid semi-annually. Principal and interest payments will be made semi-annually. At June 30, 2006, the principal balance is \$3,499,906 as disclosed in Note 7.

Note C. Federal Emergency Management Agency

Included in expenditures of \$9,280,101 are amounts that have been denied for payment by FEMA that the City has appealed in the amount of \$3,055,185. If the expenses are not reimbursed by FEMA, the City will pay these expenses out of City funds rather than grant revenues. See Note 17.

COMPLIANCE, INTERNAL CONTROL REPORTS

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MT - Masters of Taxation
CVA - Certified Valuation Analyst
CFP - Certified Financial Planner

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Dudley R. Dixon, Mayor
and City Council Members
Westlake, Louisiana

We have audited the financial statements of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Westlake, Louisiana as of and for the year ended June 30, 2006, which collectively comprise the City of Westlake, Louisiana's basic financial statements, and have issued our report thereon dated December 18, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Westlake's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance and other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 06-2.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Westlake's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Westlake's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the Schedule of Findings and Questioned Costs in 06-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

This report is intended for the information of the City, management, and the Louisiana Legislative Auditor, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Ms Elroy Quirk + Burch

Lake Charles, Louisiana
December 18, 2006

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Dudley R. Dixon, Mayor
and City Council Members
Westlake, Louisiana

Compliance

We have audited the compliance of City of Westlake with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. City of Westlake's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Westlake's management. Our responsibility is to express an opinion on Westlake's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Westlake's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Westlake's compliance with those requirements.

In our opinion, the City of Westlake complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the City of Westlake is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Westlake's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, Legislative Auditor, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, under Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Ms Elroy Quirk & Buick

Lake Charles, Louisiana
December 18, 2006

CITY OF WESTLAKE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006

SECTION I - SUMMARY OF AUDITOR-S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified
Internal control over financial reporting:
Material weakness identified? ☐ Yes ☒ No
Reportable condition identified not considered
to be material weakness? ☒ Yes ☐ None reported
Noncompliance material to financial statements
noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:
Material weakness identified? ☐ Yes ☒ No
Reportable condition identified not considered
to be material weakness? ☐ Yes ☒ None reported
Type of auditor-s report issued on compliance
for major programs: Unqualified
Any audit findings disclosed that are required
to be reported in accordance with Circular
A-133, Section .510(a)? ☐ Yes ☒ No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
66.418	Loan-Department of Environmental Quality
83.544	Federal Emergency Management Agency

Dollar threshold used to distinguish
between Type A and Type B programs: \$ 500,000
Auditee qualified as low-risk auditee? ☐ Yes ☒ No

(continued on next page)

CITY OF WESTLAKE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006
(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

06-1 Segregation of Duties

Condition: Because of the entity's size and the limited number of accounting personnel, it is not feasible to maintain a complete segregation of duties to achieve effective internal control.

Criteria: Effective internal control requires adequate segregation of duties among client personnel.

Effect: Without proper segregation of duties, errors within the financial records or fraud could go undetected.

Recommendation: To the extent cost effective, duties should be segregated and management should attempt to mitigate this weakness by supervision and review procedures.

Response: The City agrees with the findings. We are constantly evaluating duties, testing and implementing changes to compensate for the lack of segregation of duties. Due to our limited number of personnel, full segregation is not possible. In our ongoing and annual updates to our policy and procedures manual this is a consideration for each change or potential change. Additional review steps are planned for the near future in several areas as determined feasible.

06-2 Balanced Budget Noncompliance

Condition: The City is required to prepare a balanced budget in accordance with Louisiana law.

Criteria: The City should comply with Louisiana law regarding balanced budgets.

Effect: Compliance with Louisiana law is required.

Recommendation: The City should comply with Louisiana law regarding balanced budgets. The main reason that the City was not in compliance was due to the uncertainty of collection of FEMA payments under appeal.

CITY OF WESTLAKE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006
(Continued)

Response: The City agrees that it should comply with Louisiana law relating to balanced budgets. However, because the FEMA payments are under appeal, the City reduced the budgeted revenue amounts that caused the deficit. The City is aggressively appealing the FEMA denial and, in fact, have received approximately \$750,000 of the appeal during 2007.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings.

CITY OF WESTLAKE, LOUISIANA

SCHEDULE OF PRIOR YEAR MANAGEMENT COMMENTS AND SUGGESTIONS
June 30, 2006

05-1 Segregation of Duties

Condition: Because of the entity's size and the limited number of accounting personnel, it is not feasible to maintain a complete segregation of duties to achieve effective internal control.

Recommendation: To the extent cost effective, duties should be segregated and management should attempt to mitigate this weakness by supervision and review procedures.

Current status: See current year reportable condition 06-1.